

Patent Right	Date	November 30, 2020	Court	Intellectual Property High Court, Second Division
	Case number	2017(Ne)10049		
<p>- A case where, with regard to the jointly owned patent right related to an invention titled "String equipped with a tube-type string," the court approved the claim of compensation for damages and demand for an injunction based on the patent infringement by one of the joint owners, on the grounds that the relevant joint owner manufactured and sold products using the invention by breaching the clause "otherwise agreed upon in a contract" as set forth in Article 73, paragraph (2) of the Patent Act and such act constitutes infringement of the patent right.</p>				

Case type: Patent infringement lawsuit, etc.

Results: Modification of the prior instance judgment, appeal partially granted

References: Article 73, paragraph (2), Article 100, paragraph (1), and Article 102, paragraph (2) of the Patent Act

Related rights, etc.: Patent No. 5079926, Patent No. 5392519

### Summary of the Judgment

#### 1. Claim of compensation for damages due to patent infringement

(1) Claim based on Article 102, paragraph (2) of the Patent Act

(a) Sales by the Appellee

As the sales made by the Appellee during the period in question (the "Subject Period"), in addition to the sales related to the customers that replied to a commissioned examination that they had purchased products directly from the Appellee, the sales related to the following customers should be found: [i] customers that are not subject to the commissioned examination but are indicated in Exhibit Otsu 409 (the list of sales in which the Appellee indicated transaction amounts related to customers to which the Appellee sold the shoelaces (Caterpyrun made in China) imported from the Appellant and the products of the defendant in first instance (the Appellee) (the "Defendant's Products")); [ii] customers that were indicated by the Appellee in Exhibit Otsu 409 but did not reply to the commissioned examination; and [iii] customers that were indicated by the Appellee in Exhibit Otsu 409 but replied to the commissioned examination that they had no transactions with the Appellee.

It is appropriate to find the sales of the Defendant's Products made by the Appellee during the Subject Period by deducting the transaction amount of Caterpyrun made in China that were sold during the Subject Period from the amount of the sales mentioned

above.

(b) Expenses of the Appellee

[a] Raw material costs

All of the "purchase amount of raw materials," "taxes and duties (customs)," "purchase amount of products under outsourced manufacturing (Three Runners, Morito), "packaging costs (exclusively for Three Runners, Morito and TLC)," "packaging costs (packages, mounts, JAN stickers)," "outsourced packaging costs (exclusively for products made in Japan)" and "outsourced packaging costs" are found to be additional costs necessary for manufacturing and selling the Defendant's Products. Therefore, it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

[b] Individual fixed costs

All of the "wages (only for manufacturing personnel)," "statutory welfare expenses," "factory supplies costs," "repair costs for braiding machines" and "traveling expenses" are found to be additional costs necessary for manufacturing the Defendant's Products. Therefore, it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

Concerning the "rent," it was found that the Appellee manufactures no-tie shoelaces other than the Defendant's Products and prototypes in addition to the Defendant's Products. Therefore, the costs for renting a plant for installing manufacturing lines cannot be found to be costs that are additionally required for manufacturing and selling the Defendant's Products.

[c] Variable manufacturing costs

Both the "outsourced processing costs" and "utility costs" are found to be additional costs necessary for manufacturing the Defendant's Products and therefore it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

Concerning the "depreciation cost of braiding machines," based on the fact that the braiding machines are used for manufacturing products other than the Defendant's Products in addition to the Defendant's Products, this cost cannot be found to be an additional cost necessary for manufacturing the Defendant's Products, as is the case in the rent mentioned in [b] above. Therefore, the depreciation cost of braiding machines cannot be found to be expenses that are to be deducted when calculating marginal profit.

[d] Freight costs

Both the "freight costs (when importing materials)" and the "packaging and freight costs (Fukuyama Transporting)" are found to be additional costs necessary for

manufacturing and selling the Defendant's Products and therefore it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

[e] Inventory storage expenses

It is found that the Appellee manufactures no-tie shoelaces other than the Defendant's Products in addition to the Defendant's Products and also manufactures prototypes by using manufacturing lines at the TLC. Furthermore, the warehouse area is installed in the same building as the plant area. In view of these facts, the use of the building as a warehouse area by the Appellee is found to be a necessary expense incurred by the Appellee, regardless of whether the Defendant's Products were stored in that building.

Therefore, the "rent" for inventory storage cannot be found to be additional costs necessary for manufacturing and selling the Defendant's Products and it cannot be found to be expenses that are to be deducted when calculating marginal profit.

The "utility costs" as part of inventory storage expenses can be found to be additional costs necessary for manufacturing and selling the Defendant's Products and therefore it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

[f] Selling, general and administrative expenses

All of the "commission fees," "outsourcing expenses" and "advertising and promotion costs" are found to be additional costs necessary for manufacturing and selling the Defendant's Products and therefore it is appropriate to find them to be expenses that are to be deducted when calculating marginal profit.

(c) Existence of reasons for reversal of the presumption of damage

[a] Fact that the Appellant has no capability to work the patented invention

Even if the Appellant did not sell products using the Invention during the specified period in Japan, no circumstances were found that the Appellant was not able to sell the products using the Invention during that period. Therefore, it is not found that there were circumstances to inhibit the reasonable causal relationship between the profit gained by the Appellee and the damage suffered by the Appellant.

[b] Significant marketing efforts of the Appellee

The following was found: [i] Caterpyrun was covered by newspapers, magazines, and other mass media and received many responses; [ii] the representative of the Appellee gained recognition for the Defendant's Products by having celebrities introduce him/her as the representative of the Appellee and details regarding how he/she started development of Caterpyrun; [iii] the Appellee concluded sponsorship agreements with professional sport teams and has been advertising Caterpyrun through

events at athletic fields, sale of collaborative products, distribution of sponsor goods, etc.; [iv] the Appellee exhibited Caterpyrun on the occasions of the Tokyo Marathon EXPO and other sports events, distributed Caterpyrun as sponsor goods and sponsored running events, etc.; [v] the Appellee named celebrities as Caterpyrun ambassadors to engage in advertising activities; [vi] the Appellee held running events regularly and advertised Caterpyrun to city runners; [vii] the Appellee used questionnaire results collected from users for marketing strategies and for the improvement of goods, examined the commodity value of Caterpyrun through joint research with universities and engaged in marketing strategy based thereon; and [viii] the Appellee created a character for "No-tie shoelaces," "Caterpy-kun," and used it for advertising activities. The advertising of the Appellee was thus conducted in a wide range of activities; however, they are normal marketing activities for the Defendant's Products that can be used for sporting goods and they are not found to be especially significant.

[c] Existence of competing products in the market

It is found that there are products in the market, other than the Defendant's Products, which are advertised as shoelaces that do not have to be tied and that are best fit for feet when playing sports, etc. and that these products were compared with and sold at the same place as the Defendant's Products. The Invention is characterized by creating knots on shoelaces made of stretch materials and therefore they do not have to be tied and the Defendant's Products also have these characteristics. Since the competing products that the Appellee alleged have a completely different structure of no-tie shoelaces than the aforementioned characteristics of the Defendant's Products, it is impossible to find that these products are competing products of the Defendant's Products that could provide a reason for the reversal of the presumption.

[d] Other reasons for the reversal of the presumption of damage as set forth in Article 102, paragraph (2) of the Patent Act cannot be found in this case.

(2) No reasons for the reversal of the presumption of damage are found in term of the presumption of damage pursuant to Article 102, paragraph (2) of the Patent Act and therefore the amount of damage suffered by the Appellant is found to be the amount presumed pursuant to Article 102, paragraph (2) of the Patent Act.

The aforementioned amount of damage related to the claim of compensation for damage based on the infringement of the Appellant's patent right by the Appellee is 138,143,157 yen and the amount equivalent to the legal fees that have a reasonable causal relationship with the tort of infringement of the patent right by the Appellee is found to be 14,000,000 yen (152,143,157 yen in total).

2. Demand for an injunction

(1) The fact that the Appellee manufactured and sold the Defendant's Products in Japan breaches the clause "otherwise agreed upon in a contract" as set forth in Article 73, paragraph (2) of the Patent Act and infringes the patent right of the Appellant and therefore there are grounds for the Appellant's demand for an injunction against the manufacturing and selling of the Defendant's Products, based on Article 100, paragraph (1) of the Patent Act.

(2) The Appellee would be deprived of its patent right in question pursuant to Article 13 of the Agreement and in that case, the Appellee would be prohibited not only to manufacture but also to sell products using the Invention. Therefore, it is reasonable to find that the injunction covers sales in Japan as well.